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FEDERAL COMMUNICATIONS COMMISSION
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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
2000 Biennial Regulatory Review --	)	
Comprehensive Review of the	)	
Accounting Requirements and	)	CC Docket No. 00-199
ARMIS Reporting Requirements for	)	
Incumbent Local Exchange Carriers:	)	
Phase 2 and Phase 3	)	

COMMENTS
of the
GENERAL SERVICES ADMINISTRATION

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SUMMARY

For the most part, GSA supports the Commission's proposal to further streamline its accounting and reporting requirements.

The Commission proposes the elimination of approximately one-fourth of the current Class A accounts. The Commission also proposes to further streamline its affiliate transaction, incidental activity, expense limit and company classification rules. With one exception, GSA finds that the Commission's accounting proposals strike an appropriate balance between the requirements for effective regulation and the need for less burdensome regulatory surveillance. DOD also finds that several state commission accounting proposals have particular merit.

GSA commends the Commission for its proposal to generate ARMIS summary and income statement reports from data provided in other reports. In this way, the Commission will reduce the ILECs' reporting burden while maintaining the availability of data in a format proven valuable to ARMIS users. With two minor exceptions, GSA also supports the Commission's other proposals to update and streamline its reporting requirements. GSA finds that the Commission's proposal to report metallic and nonmetallic cable data separately to be especially worthwhile.

Conversely, GSA finds USTA's more extreme proposals for change to be premature and contrary to the public interest.

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COMMENTS
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GENERAL SERVICES ADMINISTRATION

The General Services Administration ("GSA") submits these Comments on behalf of the customer interest of all Federal Executive Agencies ("FEAs") in response to the Commission's Notice of Proposed Rulemaking ("Notice") released on October 18, 2000. In the Notice, the Commission seeks comments and replies on various accounting and reporting measures that may be implemented in the near term.

A. INTRODUCTION

Pursuant to Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 481(a)(4), GSA is vested with the responsibility to represent the customer interests of the FEAs before Federal and state regulatory agencies. The FEAs require a wide array of interexchange and local telecommunications services throughout the nation. From their perspective as end users, the FEAs have consistently supported the Commission's effort to bring the benefits of competitive markets to consumers of all telecommunications services. Until such time as competition provides an effective control over incumbent local exchange carrier ("ILEC") prices, however, the Commission must continue to maintain rules which assure just and reasonable rates.

In 1999, the Commission initiated a comprehensive review of its accounting rules and related reporting requirements for ILECs.[1] GSA filed comments in Phase 1 of that review to help the Commission balance the requirements for effective regulatory controls with the need for less burdensome regulatory surveillance.[2] Phase 1 concluded with an order which adopted measures designed to significantly streamline the Commission's accounting and reporting systems.[3]

As noted in the Notice, GSA also participated in the public workshops held by the Commission last Spring to seek comments on additional streamlining measures.[4] GSA commends the Commission Staff for its thorough review of the Commission's accounting and reporting requirements and the comprehensive proposals made in the Notice.

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[1] Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 1, CC Docket No. 99-253, Notice of Proposed Rulemaking, FCC 99-174, released July 14, 1999 ("Phase 1 Proceeding").

[2] See Phase 1 Proceeding, Comments of GSA, August 23, 1999; Reply Comments of GSA, September 9, 1999.

[3] Phase 1 Proceeding, Report and Order, FCC 00-78, released March 8, 2000 ("Phase 1 Order").

[4] Notice, para. 12.

In these Comments, GSA will describe the limited exceptions which it has to these streamlining proposals.

B. MOST COMMISSION PROPOSED CHANGES TO PART 32 ACCOUNTING RULES ARE IN THE PUBLIC INTEREST

1. Chart of Accounts

As the Notice explains, ILECs record their costs and revenues according to the Uniform System of Accounts ("USOA").[5] The four major ILECs are required to maintain 296 Class A accounts, while all other ILECs maintain only 113 Class B accounts.[6]

The United States Telecom Association ("USTA") has requested that the Commission uniformly adopt Class B accounting for all carriers.[7] Conversely, various state commissions have requested the addition of a number of new Part 32 accounts to meet changing regulatory needs.[8]

As the Commission notes, Part 32 accounting data are currently used for various regulatory purposes.[9] In many cases, as the Commission explains, the detail available in the Class A accounts is needed to keep pace with changes in technology and the

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[5] Id., para. 4.

[6] Id., para. 5. The four major ILECs are SBC Communications, Inc., Qwest, Verizon, and BellSouth Corporation.

[7] Id., para. 16.

[8] Id.

[9] Id., para. 6.

regulatory environment.[10] The Phase I Order eliminated over 50 percent of the original Class A accounts and subaccounts.[11] In the Notice, the Commission proposes the elimination of approximately one-fourth of the current Class A accounts.[12] In general, these eliminations strike an appropriate balance between the requirements for effective regulatory controls and the need for less burdensome regulatory surveillance.

GSA takes exception, however, to the elimination of all Basic Local Service Revenue detailed accounts (Accounts 5001-5069). GSA recommends that the Commission consolidate the eight current accounts into the following four accounts:

5010 Area Revenue
5020 Mobile Services Revenue
5040 Local Private Line Revenue
5050 Other Local Service Revenue

The consolidation of these four distinctly different sources of revenue would hinder effective analysis and provide little if any lessened regulatory burden.

GSA also finds that several state commission proposals have particular merit on a forward-looking basis, as follows:

Separation of Loop Costs – The addition of subaccounts to the central office transmission, cable and wire facilities and information origination and termination accounts to separately identify loop and interexchange transport costs would allow more refined analysis of loop costs. The loop is critical to local exchange

[10] Id., para. 18-20.

[11] Id., footnote 36.

[12] Id., para. 17.

competition and the maintenance of universal service. The data necessary for loop cost identification is already maintained for separations purposes, so this change will impose little additional burden on the ILECs.

State Access Revenue Identification – The addition of switched access, special access and subscriber line charge accounts to the state access revenue account would parallel the current interstate access subaccounts and prove useful in analytical studies. Once again, the burden on the ILECs would be slight for this change, since these revenues are easily classified.

Customer Operations Expenses – The addition of wholesale and retail subaccounts to the customer operations expense account would aid greatly in the determination of appropriate resale discounts.

New Accounts – The addition of new revenue and expense accounts for reciprocal compensation, federal universal service support and state universal service support are necessary to update Part 32 for industry developments. Accounts for collocation, resale and unbundled network element ("UNE") revenues are also long overdue and should be established.

2. Other Regulatory Relief

The USTA proposed several other accounting changes which have the effect of generally loosening restrictions in the Commission's current rules.[13] The Commission

[13] Id., para. 21-27.

does not endorse these proposals, and GSA does not believe their adoption at this time is necessary or in the public interest.

3. Affiliate Transactions

The Commission makes several proposals related to affiliate transactions which will serve to reduce the regulatory burden on the ILECs without significantly weakening the Commission's regulatory controls. GSA supports the following changes:

- The elimination of the requirement for fair market value comparisons for asset transfers under $500,000.
- The establishment of transaction valuation floors and ceilings consistent with the Commission's valuation rules.
- The exemption of regulated to nonregulated transactions from affiliate transaction rules.

The USTA proposes a number of additional changes to the Commission's affiliate transaction rules which would significantly reduce the effectiveness of these rules.[14] GSA urges the Commission not to adopt USTA's additional changes.

4. Incidental Activities

The Commission's rules provide that revenues from minor nontariffed activities that are an outgrowth of the carrier's regulated activities may be recorded as regulated revenues if they satisfy the following criteria:

1. be an outgrowth of regulated operations;

[14] Id., para. 29-31.

2. have been treated traditionally as regulated;

3. be a non-line-of business activity; and

4. result in revenues that, in the aggregate, represent less than one percent of total revenues for three consecutive years.[15]

The Commission proposes to eliminate the second criterion in order to allow new activities which meet the other criteria to be treated as incidental.

GSA believes that the Commission's proposal is reasonable and will result in a lessened regulatory burden over time as new incidental activities are identified. As long as the remaining three criteria remain in place, there will be no significant harm done to ratepayers.

5. Expense Limits

The Commission's rules provide that items of equipment classified as general support computers and central office tools and test equipment be capitalized if they exceed an expense limit of $500. The Commission requests comment on whether this limit should be raised to $2,000 to reduce the cost of maintaining property records for the acquisition, depreciation, and retirement of a multitude of low-cost, high-volume assets.

GSA agrees that the $500 limit, which was established in 1988, should be increased to $2,000. This is the current expense limit for most other support assets.

[15] Id., para. 39.

6. Additional Modifications to Cost Allocation Manual Requirements

The Commission's rules require ILECs with annual operating revenues of over $114 million to file Cost Allocation Manuals ("CAMs") setting forth the procedures that they use to allocate costs between regulated and nonregulated services.[16] The four major ILECs allocate these costs at a Class A level. USTA proposes that the Commission allow these carriers the option to allocate costs between regulated and nonregulated at a Class B level.[17]

GSA opposes this USTA proposal. As competition grows in the local exchange market, GSA expects that the Commission will deregulate many services. The accurate allocation of costs between regulated and nonregulated will thus become increasingly important. The continued use of Class A accounts will help ensure that ratepayers are not burdened with inflated regulatory costs.

7. Classification of Companies

The Commission requests comment on whether it should modify its rules to clarify that its classification of Carriers as Class A or Class B applies only to ILECs. GSA supports this ministerial change.

8. Cost Allocation Forecasts

The Commission's rules requires that carriers allocate the costs of central office equipment and outside plant investment between regulated and nonregulated activities

[16] Id., para. 43.

[17] Id.

based on a forecast of the relative regulated and nonregulated usage during a three calendar year period.[18] USTA has asserted that this rule is burdensome and unnecessary.[19]

GSA strongly disagrees. As discussed above, GSA expects significant growth in ILEC nonregulated activities. Plant additions made to provide nonregulated services will consistently be allocated incorrectly to regulated services unless a forward-looking allocation procedure is maintained. The forecasting burden on the ILECs is infinitesimal compared to the harm which could befall ratepayers if the Commission's forward-looking procedure is abandoned.

C. MOST COMMISSION PROPOSED CHANGES TO ARMIS REPORTING REQUIREMENTS ARE IN THE PUBLIC INTEREST

The Commission's Automated Reporting Management Information System ("ARMIS") provides the Commission, state regulators and the public with the information necessary to monitor industry developments and quantify the effects of proposed changes in policy and rules. As the Commission states:

> ARMIS has facilitated analysis on a variety of broad policy issues such as universal service support, consolidations and mergers, affiliate transactions, service quality, and infrastructure development, as well as focused areas of study such as network reliability, rate development, depreciation, rate of return and industry trends.[20]

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[18] 47 C.F.R. 64.901 (b) (4)

[19] Notice, para. 45.

[20] Id., para. 47.

USTA proposes to "streamline" ARMIS almost out of existence.[21] In marked contrast to USTA's proposal, the Commission proposes a series of innovative and practical changes which will greatly reduce the administrative burden of preparing ARMIS reports without destroying their usefulness. GSA strongly supports the Commission's proposals with only relatively minor modifications.

1. <u>ARMIS Reports 43-01, 43-02, 43-03 and 43-04</u>

ARMIS Reports 43-01 (Annual Summary Report), 43-02 (USOA Report), 43-03 (Joint Cost Report) and 43-04 (Separations and Access Report) provide ILEC financial data on a regulated basis in a logical and consistent manner. These reports provide policymakers and the public with a reliable and uniform database for monitoring ILEC activities.

The Commission proposed to significantly reduce the reporting burden of the ILECs by generating the entire 43-01 Annual Summary Report and the income statement of the 43-02 report from data provided in other ARMIS reports. GSA commends the Commission for this creative way of using technology to reduce the reporting burden on the ILECs while maintaining the availability of data in a format proven valuable to ARMIS users.

The Commission also proposes to eliminate certain unneeded data from the 43-01 report and consolidate certain columns on the 43-02 and 43-04 reports. GSA agrees that these changes will serve to streamline ILEC reporting without sacrificing meaningful information.

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[21] Notice, para. 55 and Appendix 6.

Finally, the Commission proposes to add rows in its 43-02 and 43-04 reports to distinguish between metallic and non-metallic cable. GSA applauds this revision. Since Part 32 has long required separate metallic and non-metallic subsidiary records for the cable accounts, this change in reporting will add only minimally to the ILECs' reporting burden. The publication of this data in a uniform, mechanized manner on ARMIS reports will prove extremely valuable in tracking the technology evolution from copper to fiber cable. This data is absolutely necessary to the reasoned determination of appropriate forward-looking depreciation lives for use in universal service and UNE cost studies.

2. <u>ARMIS 43-07 and 43-08 Reports</u>

ARMIS 43-07 (Infrastructure Report) and 43-08 (Operating Data Report) collect data about the physical and operating characteristics of the ILECs' networks. As the Commission notes:

> This information has been useful to policymakers at federal, state and local levels, and provides critical data not available through other public sources.[22]

The Commission boldly proposes to eliminate approximately half of the reporting requirements that are currently imposed on carriers by the 43-07 and 43-08 reports.[23] This represents the net reduction resulting from the elimination of outdated information and the addition of information on newer technologies.

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[22] <u>Id</u>., para. 64.

[23] <u>Id</u>., para. 66.

For the most part, GSA supports the Commission's proposals. GSA believes, however, that two of the Commission's proposals are premature. First, the Commission proposes to eliminate the six subcategories of equipped channels in the third section of Table II (Loop Plant – Central Office Terminations) of the 43-07 report. These subcategories are:

- copper
- baseband
- analog carrier
- digital carrier
- fiber digital carrier
- other

These subcategories should not be eliminated. The first four subcategories refer to metallic cables. The relationship of working channels to equipped channels is extremely important in the analysis of copper plant utilization. Together with the financial information discussed above, such analysis is absolutely necessary for the reasoned determination of appropriate forward-looking depreciation lives for use in universal service and UNE cost studies.

Second, the Commission proposes to eliminate the reporting categories in Table 1A (Outside Plant Statistics – Cable and Wire Facilities) of the 43-08 report that distinguish among aerial, underground, buried, submarine, deep sea, and intrabuilding cable plant. As the Commission notes, this information may prove useful in the determination of forward-looking costs in universal service and UNE cases.[24] DOD believes it would be premature to eliminate these reporting categories.

[24] Id., para 77.

D. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to implement the recommendations set forth in these Comments.

Respectfully submitted,

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December 21, 2000

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